

A meeting of the Federal Reserve Board was held in Washington on Thursday, October 12, 1933, at 3:15 p. m.

PRESENT: Mr. Black, Governor  
Mr. Hamlin  
Mr. James  
Mr. Thomas  
Mr. Szymczak

Mr. Morrill, Secretary  
Mr. Carpenter, Assistant Secretary  
Mr. Bethea, Assistant Secretary  
Mr. Martin, Assistant to the Governor  
Mr. Smead, Chief of the Division of  
Bank Operations  
Mr. Vest, Assistant Counsel

There were also present Governors Fancher, Martin, and McKinney, members of the committee appointed by the Governors' Conference to discuss with the Board the question of reimbursement of Federal reserve banks by the Treasury Department for (1) fiscal agency expenses, (2) extraordinary expenses incurred during and immediately after the banking holiday, and (3) abrasion on gold deposited with the Federal reserve banks.

The members of the committee stated that the question of reimbursement of Federal reserve banks for fiscal agency expenses was placed on the Governors' Conference program as a result of the letter dated August 21, 1933, from Under Secretary of the Treasury Acheson to the Federal reserve banks suggesting that they absorb additional expenses in connection with the handling of Government securities; that in considering the matter at the Governors' Conference the members of the Conference were of the opinion that the Federal reserve banks should be fully reimbursed by the Treasury Department for all expenses incurred by them in connection with fiscal agency operations; and that some of the governors felt that it would be desirable to have a definite understanding with the Treasury Department

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with regard to reimbursement of the banks for such expenses.

Mr. Smead presented a summary of the replies received from the Federal reserve banks in response to the telegram addressed to the banks following the action at the meeting of the Board on September 9, 1933, with regard to this matter. He also stated that for the last six months of 1932, the Federal reserve banks reported that they absorbed, in connection with fiscal agency operations, out-of-pocket expenses totaling approximately \$193,000.

At the conclusion of the ensuing discussion, during which attention was called to the fact that the Federal reserve banks do not use the same basis for computing expenses incurred in connection with fiscal agency operations, Mr. Smead was requested to work out a uniform formula for use in determining such expenses, to prepare data showing the total amount of fiscal agency expenses absorbed by each Federal reserve bank during the year 1932, and to obtain from the Federal reserve banks by telegraph, on the basis of the uniform formula, an estimate of the additional amount which each bank would be required to absorb if the suggestion contained in Under Secretary of the Treasury Acheson's letter of August 21 were adopted.

It was understood that when this information is received the matter will be taken up by the Board with the Treasury Department and that the Under Secretary of the Treasury will be advised that it is the feeling of the Board and the Federal reserve banks that the latter should not be called upon to absorb additional fiscal agency expenses, but that, on the contrary, they should be fully reimbursed for all out-of-pocket expenses incurred by them in connection with such operations.

Governor Martin stated that in considering the question of reimbursement of Federal reserve banks by the Treasury Department for extraordinary expenses incurred during and immediately after the banking holiday, the Governors' Conference was of the opinion that the banks should be fully reimbursed in accordance with the telegram of April 22, 1933,

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addressed to all Federal reserve banks by Assistant Secretary of the Treasury Douglas. It was stated that information has been obtained by the Board from all Federal reserve banks as to the extraordinary expenses incurred by them in connection with the banking holiday which have not been reimbursed by the Treasury Department.

It was understood that as soon as the information received from the banks is assembled the matter will be taken up with the Treasury Department with the view to obtaining reimbursement in accordance with Assistant Secretary Douglas' letter.

Reference was then made to the question of the absorption by Federal reserve banks of abrasion on gold deposited with them, and the Secretary stated that in response to a telegram received from Deputy Governor Paddock of the Federal Reserve Bank of Boston in regard to this matter it is being proposed that the Boston bank be advised that the Executive Order of April 5, 1933, provided that the Secretary of the Treasury would, in all proper cases, pay the reasonable costs of transportation of gold coin, gold bullion, or gold certificates delivered to a member bank or Federal reserve bank in accordance with sections 2, 3, or 5 of the Executive Order; that this authorization, however, is not contained in the Executive Order of August 28, 1933, which revokes the Executive Order of April 5; that the Board has also been advised by the Treasury Department that it will not reimburse the Federal reserve banks for abrasion on gold coin beyond the usual limit of tolerance; and that, in the circumstances, the Board feels that the Federal reserve banks should no longer assume any abrasion loss on gold coin deposited with them or tendered in exchange for other forms of currency or any shipping charges on gold coin and gold bullion; but that

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the Board sees no objection to the reserve banks assuming shipping charges on gold certificates received from member banks.

Mr. Morrill stated that the Board had received a telegram dated October 10, 1933, from the Federal Reserve Agent at Chicago, advising of a tentative plan of reorganization of the capital structure of a national bank in Chicago involving a reduction in its common capital stock; that the matter has been discussed with Deputy Comptroller of the Currency Awalt, who advised that he understood that the board of directors of the bank will discuss the proposed reorganization at a meeting tomorrow and decide just what action is to be taken and will make some kind of an announcement without figures to the effect that the bank intends to reduce its capital stock and issue preferred stock to the Reconstruction Finance Corporation; and that following the meeting of the directors the President of the bank will come to Washington, arriving here not earlier than Saturday, October 14, 1933, to discuss the matter of reorganization including the proposed reduction in common capital stock. Mr. Morrill stated further that the Board's Division of Examinations has no information in regard to the matter and will therefore not be in a position to make a report on the proposed reduction; that the report of the examination which is now under way by the Comptroller's office has not been completed and sent to the Comptroller, although the examiner has made a preliminary general statement that it appears that the classification of the bank's assets as shown by the current examination will not differ materially from the figures shown on the last previous examination. Mr. Morrill added that the matter is being brought to the attention of the Board at this time for the reason that there may be an early call for the Board's approval of the proposed reduction in capital stock.

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Mr. Morrill then referred to the proposed letter to the Attorney General transmitting the report made by the Board's Division of Examinations with regard to irregularities in the fiscal agency department of the Federal Reserve Bank of Chicago, which was referred to the Chairman of the Board for consideration as a result of a discussion at a meeting of the Board on April 17, 1933, and stated that Mr. Hewes, Assistant Secretary of the Treasury, had advised him this morning that various papers which were attached to the proposed letter to the Attorney General had become scattered; that the letter to the Attorney General had been lost; and that Mr. Hewes had expressed the desire that Mr. Morrill undertake the reconstruction and preparation of another letter to the Attorney General for further consideration by the Secretary of the Treasury. Mr. Morrill stated also that it would have been necessary, in any event, to revise the letter because of the fact that certain supplemental reports had been received by the Board since the letter was prepared which would have to be transmitted to the Attorney General; that he could reconstruct the letter referred to, which, after describing the documents transmitted therewith, had stated that there had been found some irregularities in the fiscal agency department of the Federal Reserve Bank of Chicago and certain member banks with respect to new issues of Government securities, that the information was being transmitted to the Attorney General for consideration and such action as he might deem appropriate; and that the letter had contained no statement of opinion as to whether a prosecution could or should be maintained. Mr. Morrill stated further that Mr. Hewes indicated the opinion that it would be proper for such a letter to be sent to the Attorney General.

The Secretary then read a memorandum dated October 10, 1933, from

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Mr. Smead to Governor Black calling attention to the fact that, following approval by the Board on September 22, 1933, of the recommendation contained in Mr. Smead's memorandum of September 16, 1933, that the form of the next call report of State member banks be modified so as to require member banks to show in a confidential schedule the market value of their securities in addition to the book value, and the State member banks advised that after the next call they would be required to report the appraised value in addition to the book value of loans and real estate, in which recommendation the Comptroller of the Currency had concurred, the Comptroller had reconsidered the matter and now feels that he should not require such information to be submitted by national banks in connection with the forthcoming call for reports of condition. The memorandum also referred to the fact that the Indiana State Banking Department is requiring State banks to submit reports annually in which they are required to show in separate schedules the market as well as the book value of securities, and the losses estimated through bad and doubtful assets or depreciation in values, and stated that it does not seem that supervisory authorities should be criticized for taking steps now to require member banks to furnish full information regarding the current values of their assets along with the values at which such assets are carried on their books, even though book values rather than current values are used in published reports, and that publication of current values in condition reports at this time is not recommended, but it is believed highly desirable that the ground work be laid now for the publication of current values as soon as practicable after the deposits of member banks are insured by the Federal Deposit Insurance Corporation.

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After some discussion of the matter, it was suggested that the Comptroller of the Currency be requested to join the meeting and express his views regarding it. The Comptroller returned the message that it would not be possible for him to attend the meeting but that Deputy Comptroller Awalt was familiar with the matter under discussion and, if desired, he would participate in the discussion. Accordingly, Mr. Awalt was invited into the meeting and he stated that the Comptroller of the Currency feels that a confidential schedule of the market value of investments should not be requested at this time for the reasons that it is not believed advisable to put any additional burden on the banks at the present time, and that, as the statements contained in the report are made under oath, and as any questions as to criminal liability raised by the Department of Justice are usually based on the condition reports, the inclusion therein of schedules giving the market as well as the book value of the banks' investments may raise some question as to the correctness of the banks' statement of condition on the first page of the report on which only the book value of the banks' assets is called for. Another reason for the Comptroller's position, Mr. Awalt stated, is that the appraised values of the banks' assets are set forth in the reports of examination made by the national bank examiners and if the directors are also required to state an appraised or market value questions may arise as to what the appraised or market value really is.

The Secretary stated that it was thought in requesting the banks to show the market value of their securities in confidential schedules attached to the forthcoming call report and the appraised value of loans and real estate in the next call report the matter could be approached gradually

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as a constructive and necessary step in laying the basis for a revision of the published reports. Mr. Awalt replied that the Comptroller of the Currency is agreeable to requiring the additional information referred to and believes that it should be required, but that the forthcoming call is not an opportune time in which to inaugurate the change, and that he prefers to put the matter off perhaps until the December 31 call when the Federal Deposit Insurance Corporation will be in operation and when the banks could be required to show the market value of investments and, in the June 30, 1934, call, required to show the assessed valuation of loans and real estate.

A general discussion ensued at the conclusion of which it was decided that action on the matter would be deferred until the next meeting of the Board.

The Board then considered and acted upon the following matters:

Memorandum dated October 7, 1933, from Mr. Paulger, Chief of the Division of Examinations, recommending that the headquarters of Mr. Herbert H. Hagler, an assistant Federal reserve examiner in the Division of Examinations, be changed from Washington, D. C., to Nashville, Tennessee, effective immediately; the recommendation having been approved by five members of the Board on October 12, 1933.

Approved.

Letter dated October 10, 1933, to Mr. Curtiss, Chairman of the Federal Reserve Bank of Boston, approved by seven members of the Board, stating that, in accordance with the request contained in his letter of October 4, the Board approves the expenditure authorized by the board of directors of the bank in connection with the reimbursement of any member bank represented at the meeting of stockholders of the bank to be held



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in Boston on November 10, 1933, for the amount expended by not more than one representative of such bank for railroad fare and pullman accommodation in attending the meeting.

Approved.

Telegraphic reply on October 10, 1933, approved by four members of the Board, to a letter dated October 6 from Mr. Hoxton, Federal Reserve Agent at Richmond, requesting approval of the temporary designation as an examiner in the Federal reserve agent's department of the Federal Reserve Bank of Richmond of Mr. William J. Gerbig, an employee in the bank relations department. The reply stated that the Board approves the temporary designation of Mr. Gerbig as an examiner with no change in compensation.

Approved.

Letter dated October 10, 1933, to the board of directors of the "First State Bank of Wykoff", Wykoff, Minnesota, approved by seven members of the Board, stating that, subject to the conditions prescribed in the letter, the Board approves the bank's application for membership in the Federal Reserve System and for the number of shares of stock of the Federal Reserve Bank of Minneapolis to which the bank will be entitled upon the basis of its capital and surplus as of the date upon which its membership becomes effective.

Approved.

Telegram dated October 11, 1933, to Mr. Walsh, Federal Reserve Agent at Dallas, approved by seven members of the Board, stating that, subject to the conditions prescribed in the telegram, the Board approves the application of the "Silsbee State Bank", Silsbee, Texas, for membership in the Federal Reserve System and for the number of shares of stock

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of the Federal Reserve Bank of Dallas to which the bank will be entitled upon the basis of its capital and surplus as of the date upon which its membership becomes effective.

Approved.

Letter dated October 11, 1933, to Mr. Benjamin H. Brewster, Jr., proposed president of the Union Trust Company of Maryland, Baltimore, Maryland, approved by six members of the Board, referring to the request contained in his letter of September 27, 1933, to the Federal Reserve Agent at the Federal Reserve Bank of Richmond, that, if it appears that the Federal Reserve Board is unwilling to give favorable consideration to the application of the Union Trust Company of Maryland for membership in the Federal Reserve System, he be afforded an opportunity for a hearing by the Board. The letter stated that the Board has not acted upon the application of the trust company for membership; that, in response to a request from Mr. C. S. Bloede, Chairman of the Dissenting Depositors Committee, it has advised Mr. Bloede that before the Board takes any action on the application he may appear before the Board and present such information in the matter as he desires; and that, in the circumstances, the Board has requested the Secretary to advise Mr. Brewster that he or his representatives may appear before the Board at its offices in the Treasury Building, Washington, D. C., at eleven o'clock a. m., on October 16, 1933, and present such information in the matter as he desires.

Approved, together with a letter dated October 11, 1933, to Mr. C. S. Bloede, Chairman of the Dissenting Depositors Committee, Baltimore, Maryland, also approved by six members of the Board, stating that he or his representatives may appear before the Board at its

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offices in the Treasury Building, Washington, D. C., at eleven o'clock a. m., on October 16, 1933, and present such information as he desires in the matter referred to above.

Telegram dated October 10, 1933, to Mr. Walsh, Federal Reserve Agent at Dallas, approved by six members of the Board, referring to the application of the Stamford State Bank, Stamford, Texas, for permission to withdraw immediately from membership in the Federal Reserve System, and stating that the Board waives the usual requirement of six months notice of intention to withdraw and that, accordingly, upon surrender of the Federal reserve bank stock issued to the Stamford State Bank, the Federal Reserve Bank of Dallas is authorized to cancel such stock and make a refund thereon.

Approved.

Telegram dated October 10, 1933, to Mr. Newton, Federal Reserve Agent at San Francisco, approved by six members of the Board, referring to the application of the Bank of Montreal (San Francisco), San Francisco, California, for permission to withdraw immediately from membership in the Federal Reserve System, and stating that the Board waives the usual requirement of six months notice of intention to withdraw and that, accordingly, upon surrender of the Federal reserve bank stock issued to the Bank of Montreal (San Francisco), the Federal Reserve Bank of San Francisco is authorized to cancel such stock and make a refund thereon.

Approved.

Letter dated October 11, 1933, to "The First National Bank of Springfield", Springfield, Illinois, approved by five members of the Board, stating that the Board approves the bank's application for permission to act, when not in contravention of State or local law, as

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trustee, executor, administrator, registrar of stocks and bonds, guardian of estates, assignee, receiver, committee of estates of lunatics, or in any other fiduciary capacity in which State banks, trust companies or other corporations which come into competition with national banks are permitted to act under the laws of the State of Illinois, the exercise of all such rights being subject to the provisions of the Federal Reserve Act and the regulations of the Federal Reserve Board.

Approved, together with a letter dated October 11, 1933, to Mr. O'Connor, Comptroller of the Currency, approved by five members of the Board, inclosing a copy of the letter to the national bank referred to above, and stating that the balance sheet of the bank as of July 24, 1933, indicates that it is somewhat undercapitalized with deposits of \$6,977,000 as compared to capital and surplus of \$550,000; that its surplus account amounts to only 10% of its capital; and that it is assumed that consideration has been given to the desirability of increasing the capital structure in sufficient amount to provide a more favorable ratio to total deposits.

Reply on October 11, 1933, approved by six members of the Board, to a letter dated September 28 from Mr. R. L. Thornton, President of the Mercantile National Bank at Dallas, Texas, in regard to fiduciary operations of the institution. The reply stated that, according to the Board's letter of September 21, 1933, the Mercantile National Bank at Dallas is authorized, subject to the provisions of the Federal Reserve Act and the regulations of the Federal Reserve Board, to administer only those trusts formerly held by the Mercantile Bank and Trust Company which have been approved by the Federal Reserve Agent at the Federal Reserve Bank of Dallas, and that it is not authorized to accept any new trust business until full fiduciary powers have been granted to the bank by the Board.

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The reply stated also that, while the Board is in sympathy with the bank's desire to build up the volume of desirable trust business and thereby increase the earnings of the bank, it does not feel that it can adopt the suggestion made by the bank that the Federal Reserve Agent at Dallas and the Board pass upon individual trust accounts which may be tendered to the trust department; that the Board, however, will be glad to give prompt consideration to the application of the bank for full fiduciary powers as soon as an examination of the institution has been made by representatives of the Comptroller of the Currency, and a report thereof is available; and that it is assumed that such an examination will be conducted within the course of the next few months.

Approved.

Letter dated October 10, 1933, to Mr. O'Connor, Comptroller of the Currency, approved by six members of the Board, replying to his memorandum of September 6 recommending approval of a reduction in capital of The First National Bank of Salamanca, New York, from \$175,000 to \$100,000 in accordance with a revised plan of reorganization of such bank which provides for the surrender of the present capital stock of \$175,000, a change in the par value of such stock from \$100 to \$10 a share, the resale of \$100,000 of such surrendered stock at a premium of \$25,000 which will be credited to surplus, the sale of \$25,000 of preferred stock to the Reconstruction Finance Corporation, and a waiver by creditors of 20% of their net unsecured claims; the released capital in the amount of \$175,000, together with the bank's present surplus and undivided profits amounting to \$87,065.98, and funds in the amount of approximately \$263,305 made available by the waiver of 20% of unsecured liabilities, to be used to eliminate losses, depreciation

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and unacceptable assets in the amount of approximately \$525,370, such assets to be trusted for the benefit of waiving creditors. The reply stated that the Board approves the proposed reduction under the plan submitted, subject to the conditions set forth in the reply. The reply stated also that it is noted that the present management and directorate of the bank are largely responsible for its present unsatisfactory condition, and that the Board's approval accordingly is given subject, also, to the understanding that the institution will be placed under a management and directorate which will be satisfactory to the Comptroller's office.

Approved.

Letter dated October 10, 1933, to Mr. O'Connor, Comptroller of the Currency, approved by seven members of the Board, replying to his memorandum of September 13 recommending approval of a reduction in common capital stock of the First National Bank, Bradenton, Florida, from \$150,000 to \$50,000 in accordance with a plan of recapitalization which involves the sale of \$150,000 preferred stock and \$50,000 new common stock to the First National Company of Bradenton. The reply stated that, if the proposed plan of recapitalization is accomplished, the First National Company will become a holding company affiliate as defined by section 2 of the Banking Act of 1933, and it will be necessary, as a prerequisite to its voting the shares of stock of the subject bank which it owns, for such company to obtain from the Board a holding company voting permit under the provisions of section 5144, Revised Statutes; that, in acting upon an application for such a voting permit, the Board is required under the law, among other things, to consider the financial condition of the applicant holding company affiliate, the general character of its

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management, and the probable effect of the granting of such permit upon the affairs of the bank; that, while it would appear from a review of the information submitted that the reduction in capital under the proposed plan would effect an improvement in the bank's condition sufficient to justify the approval of the present application, the Board does not, at this time, have sufficient information with regard to the First National Company to determine whether or not it should be granted a voting permit; and that it does not feel that it should act upon the application for capital reduction of the First National Bank under a plan which involves the acquisition of a majority of its stock by the First National Company until it is also in a position to determine whether it can properly grant a voting permit to such company. The reply stated also that, in view of these facts, the Board has deferred action upon and will hold in suspense the application of the First National Bank of Bradenton for permission to reduce its common capital stock until it has received and given consideration to an application of the First National Company for a voting permit, and that copies of the regulations and appropriate forms with regard to the issuance of voting permits to holding companies may be obtained from the Federal Reserve Agent at Atlanta, with whom the First National Company should file its application.

Approved.

Memorandum dated October 5, 1933, from Mr. Vest, Assistant Counsel, recommending that there be published in the forthcoming issue of the Federal Reserve Bulletin statements in the form attached to the memorandum with regard to rulings by the Federal Reserve Board on the following subjects; the recommendation having been approved by four members of the

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Board on October 10, 1933:

- "1. Application of Section 8A of the Clayton Act to Building and Loan Associations.
- "2. Application of Section 8A of the Clayton Act to State Member Banks.
- "3. Necessity for Obtaining Permits Under Section 8A of the Clayton Antitrust Act Covering Services Authorized by Permits Under Section 8.
- "4. Applicability of Section 8A of Clayton Act to Corporations Which do not Actually Make Loans on Stock or Bond Collateral.
- "5. Building and Loan Association Distinguished From a 'Mutual Savings Bank'.
- "6. Definition of 'Savings Deposit'.
- "7. Payment of Interest on Certificates of Deposit as to Which the Bank Reserves the Right to Require Notice of Withdrawal.
- "8. Payment of Interest on Time Deposits in Excess of Maximum Rate Under a Contract Made Since June 16, 1933.
- "9. Interest from First Day of Month on Savings Deposits Received Within Few Days Thereafter.
- "10. Corporation Whose Stock is Held by a Member Bank as Executor or Trustee as an Affiliate.
- "11. Election of Federal Reserve Bank Directors by Member Banks Affiliated with the Same Holding Company.
- "12. Extension of Credit by Member Banks to their Affiliates."

Approved.

Letter to the governors of all Federal reserve banks inclosing, for their information, copies of the Board's letter of June 21, 1933, to the Secretary of the Treasury and of the reply of Assistant Secretary of the Treasury Hewes under date of September 18 which reads as follows:



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"Reference is made to your letter of June 21, 1933, advising that the Federal Reserve Banks have on hand large amounts of gold coin and gold certificates. You request to be advised as to (1) whether the Treasury will permit the Federal Reserve Banks to ship United States gold coin to the Treasury or to the mints or assay offices at the Treasury's expense; (2) whether the Treasury will reimburse the Federal Reserve Banks for abrasion on gold coin deposited since March 7; (3) whether the Federal Reserve Banks will be required to determine the amount of such abrasion before shipment to the Treasury or Treasury offices; (4) whether the Treasury will permit the Federal Reserve Banks to hold a portion of their gold coin or gold certificates, or both, in joint custody by the banks and agents for account of the Treasurer of the United States; (5) whether the Federal Reserve Banks will be permitted to cancel and ship to the Treasury new and fit gold certificates of denominations of \$500 and over; and (6) as to what policy the Treasury will follow in connection with the disposal of standard silver dollars held by the Federal Reserve Banks in excess of their requirements and whether these dollars may be shipped to Treasury offices at Treasury expense.

"Your questions are answered in the order presented.

"(1) The Treasury is not in a position to pay the expenses of shipping fit gold coin from the Federal Reserve Banks to the Treasury, the mints, or the assay offices. Moreover, Section 16 of the Federal Reserve Act, as amended, provides that all expenses incident to the handling of deposits of gold coin or of gold certificates for credit in the Gold Settlement Fund shall be paid by the Federal Reserve Banks.

"(2) The Treasury has authority to assume the abrasion loss on gold coin only when the weight thereof is not below the limit allowed by statute, and furthermore, there are no funds available with which the Treasury can reimburse the Federal Reserve Banks for the abrasion loss on lightweight gold coin. It is my understanding that the Federal Reserve Board authorized the various Federal Reserve Banks to assume this loss.

"(3) It will be necessary for the Federal Reserve Banks to classify the gold coin as to current, uncurrent, and lightweight. In view of the circumstances, however, and in order to avoid the necessity of determining the loss on each piece separately, the banks, upon application to the Treasurer of the United States in the usual manner, will be permitted in this instance to ship the lightweight coin at a bulkweight value subject to adjustment to the mint's value when verification has been made.

"(4) The Treasury will not object to the establishment of joint custody accounts for a portion of the stock of gold certificates and current gold coin of these banks. It should be understood, however, that if these joint custody accounts are established, the expenses involved in the subsequent shipping of the gold coin to the Treasury offices will be borne by the Federal Reserve Banks.

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"(5) There has been no permanent policy established with respect to the further paying out of gold certificates. The Treasury, however, has no objection to the redemption, cancellation and shipment to the Treasury in the usual manner of the gold certificates in denominations of \$500 and over.

"(6) The Treasury is not in possession of funds with which to pay the expenses of shipping standard silver dollars to Treasury offices, and the available storage space at the mints is exceedingly limited. However, the situation with respect to the standard silver dollars is somewhat different from the accumulation of gold. Several years ago the Treasury made an attempt to place the silver dollar in circulation, and because of this attempt large accumulations of silver dollars in the various Federal Reserve Banks resulted. I feel, therefore, that in due course the Treasury should pay the expenses of shipping these silver dollars to Treasury offices. To relieve the Federal Reserve Banks of dead assets in their cash holdings, joint custody accounts for silver dollars were established some time ago, and 13,470,000 silver dollars are now held in joint custody accounts at two-thirds of the parent banks. The total amount held in the cash of all Federal Reserve Banks and branches is less than \$5,000,000, and any surplus therein could also be placed in the joint custody of the banks and the agents until such time as funds are available to pay the expense of shipping the dollars to Treasury offices."

Approved.

Reply on October 10, 1933, approved by six members of the Board, to a letter dated September 25 from Mr. Peyton, Federal Reserve Agent at Minneapolis, inclosing a copy of a letter from the Secretary of the North Dakota Bankers Association transmitting a copy of a resolution of the Association suggesting that a full explanation of the provisions of the Banking Act of 1933 and the Board's regulation regarding the payment of interest on deposits be given to the public by the Board through the various press associations. The reply stated that, while the Board appreciates the reasons prompting this suggestion, it is not believed that it would be advisable to issue a statement of the kind suggested regarding the requirements of the law and of the regulation in this matter; that Regulation Q was carefully prepared and the Board does not feel that

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it should undertake the task of restating its provisions in a different form at this time, except in so far as interpretations based on the facts of particular cases may be necessary; and that such interpretations, to the extent that their publication may seem helpful, will be published in the Federal Reserve Bulletin, as well as included in "X" letters to the Federal reserve agents. The reply stated also that, while a statement for the purpose suggested would necessarily be of a non-technical character, it would nevertheless be regarded as an authoritative interpretation of the law and the regulation, if issued by or with the approval of the Board, and that the Board regrets, therefore, that it cannot comply with the request contained in the resolution of the North Dakota Bankers Association.

Approved.

Telegraphic reply on October 11, 1933, approved by six members of the Board, to a telegram dated September 30 from Mr. H. C. Timberlake, Assistant Statistician at the Federal Reserve Bank of Minneapolis, referring to the Board's telegram to all Federal reserve agents under date of September 23, 1933, which stated that if a member bank has already published its own report as of June 30, 1933, it should publish it again with the report of its affiliate. Mr. Timberlake's telegram stated that the attorneys for the Northwest Bancorporation and the First Bankstock Corporation are of the opinion that this requirement is in error and contend that the State law was fully complied with by publication of the member banks' reports last July. The reply stated that, although publication at this time of their own reports by subsidiary State member banks of the Northwest Bancorporation and the First Bankstock Corporation may not be required by law, the Board feels that each State member bank in such group should

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publish its own report along with reports of its affiliates in order to carry out the purposes of the Banking Act of 1933, and that, in view of the Board's extension of time for the transmission of reports of affiliates, and in view of the fact that the publication of such reports without publication at the same time of reports of affiliated member banks will not make available to the public the information contemplated by the act, the Board feels that each State member bank in such groups should publish its own report along with reports of its affiliates.

Approved.

Reply on October 10, 1933, approved by seven members of the Board, to a letter dated July 7 from Mr. Newton, Federal Reserve Agent at San Francisco, with regard to the so-called "currency exchanges" fostered by the Valley Bank and Trust Company of Phoenix, Arizona, and stating that the institution is desirous of obtaining from the Board an expression of opinion as to whether or not the organization and operation of the "currency exchanges" are objectionable to the Board or in violation of any of the provisions of the Federal Reserve Act or the rulings of the Board. The reply noted that counsel for the Federal reserve bank is of the opinion that the exchanges do not constitute either banks or branch banks within the purview of the laws of Arizona and that this view also is taken by the Attorney General and Superintendent of Banks of Arizona, and stated that, in the circumstances, the Board, without expressing an opinion on the question whether the so-called "currency exchanges" are branches of the Valley Bank and Trust Company within the meaning of the Federal Reserve Act, feels that, in order to eliminate any question as to the legality of the exchanges and in order to comply with the spirit and the purpose of the requirements

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of the statute, the Valley Bank and Trust Company should comply, in respect to each such currency exchange, with the requirements of the law applicable to the establishment of a branch of a national bank outside of the city in which it is located.

Approved.

Telegraphic reply on October 11, 1933, approved by six members of the Board, to a telegram dated October 5 from Mr. Hale, Cashier of the Federal Reserve Bank of San Francisco, inquiring whether the Board has ruled on the question of absorption of exchange charges by member banks under the provisions of the bankers code of fair competition. The reply stated that the Board has not made any ruling on the question; that the interpretation of the provisions of the code would not appear to be a matter within the Board's jurisdiction; but that it is noted that the code provides that no provision thereof shall be interpreted or applied so as to conflict in any way with any Federal or State banking law or any rule or order of the Federal Reserve Board, the Comptroller of the Currency, or State banking authority. The reply stated also that it is assumed, therefore, that the provision of the code regarding service charges is not intended to be interpreted in a manner inconsistent with the Federal Reserve Act or with any ruling of the Board interpreting the act; that the Board has been requested in another connection to pass upon the question whether member banks may lawfully impose service charges varying according to the amount of the depositor's balance and the number of the depositor's checks when the balance is less than a certain amount with the stipulation that no such charge will be made when the balance exceeds that amount; and that the Board has that question under consideration and when a ruling is made the Federal reserve

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bank will be advised.

Approved.

Reply on October 10, 1933, approved by seven members of the Board, to a letter dated September 30 from Mr. G. G. McCormick, Cashier of the State Bank of Collinsville, Illinois, relative to the waiver agreements between the bank and its depositors, which are involved in the plan of reorganization of the bank. The reply stated that, inasmuch as the State Bank of Collinsville is a member of the Federal Reserve System, the question whether a license should be issued to the bank to reopen as a member is one for the determination of the Secretary of the Treasury; that, however, the Board has carefully considered the plan of reorganization adopted by the bank and has discussed the matter with the Auditor of Public Accounts of Illinois; and that, while the Board appreciates the efforts which are being made to open the bank and desires to be as helpful as possible in that direction, it feels that since the liability of the bank on the proposed certificates of deferred deposits would substantially impair, if not entirely eliminate, its capital, it would not be advisable to reorganize and reopen the bank until its capital is restored. The reply stated also that, accordingly, the Board suggested to the Auditor of Public Accounts, as the most desirable procedure to be followed, that the bank eliminate its liability on the certificates of deferred deposits by transferring all charged off assets to trustees for the benefit of deferred certificate holders and obtain from each certificate holder an agreement releasing the bank from any liability on such certificates and accepting in lieu thereof a certificate from the trustees entitling the certificate holder to a pro rata share of

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any recoveries from the charged off assets transferred to the trustees; that the Board had stated further that, while it questioned the advisability of such action, agreements might also be obtained from the stockholders of the bank to the effect that until all certificates issued by such trustees have been paid in full, the stockholders will transfer to the trustees for the benefit of the certificate holders any dividends declared on their stock by the bank; and that the suggestion that the State Bank of Collinsville might voluntarily withdraw from membership in the Federal Reserve System was made as an alternative in the event it is not feasible to eliminate the bank's liability on the certificates of deferred deposits in the manner outlined above and the bank desires to open as a nonmember institution, although the Board feels that it would be more desirable for such liability on the part of the bank to be eliminated prior to the reopening of the bank. The reply stated further that, in view of all the circumstances involved, it is suggested that Mr. McCormick take the matter up with the Federal Reserve Agent at the Federal Reserve Bank of St. Louis, who has been fully advised in the premises, with a view to determining the action to be taken by the bank.

Approved.

Reports of Standing Committee dated October 10 and 12, 1933, recommending approval of the following changes in stock at Federal reserve banks:

<u>Applications for ORIGINAL Stock:</u>	<u>Shares</u>	
<u>District No. 4.</u>		
First National Bank of Dennison, Ohio	44	44
<u>District No. 7.</u>		
First National Bank in New Castle, Indiana	72	72

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<u>Applications for ORIGINAL Stock (Cont'd.):</u>		<u>Shares</u>	
<u>District No. 9.</u>			
First National Bank at Hubbell, Michigan		33	33
<u>District No. 10.</u>			
Security National Bank of Kansas City, Kansas City, Kansas.		126	126
		<u>Total</u>	<u>275</u>

<u>Applications for SURRENDER of Stock:</u>			
<u>District No. 1.</u>			
Rockland National Bank, Rockland, Maine. (Insolvent)		150	
Athol National Bank, Athol, Massachusetts. (Insolvent)		120	
Millers River National Bank, Athol, Mass. (Insolvent)		114	
Essex National Bank, Haverhill, Mass. (Insolvent)		180	
B. M. C. Durfee Trust Company, Fall River, Mass. (Decrease in surplus)		<u>120</u>	684

<u>District No. 3.</u>			
First National Bank, Newfield, New Jersey. (Insolvent)		44	
First National Bank, Williamsport, Penna. (Decrease in capital and surplus)		<u>255</u>	299

<u>District No. 4.</u>			
Lincoln County National Bank, Stanford, Kentucky. (Decrease in surplus)		31	
Farmers National Bank, Bryan, Ohio. (Being liquidated through conservator)		180	
First National Bank, New Matamoras, Ohio. (Insolvent)		36	
Peoples National Bank, Ellwood City, Penna. (Decrease in surplus, partly offset by increase in capital)		<u>30</u>	277

<u>District No. 5.</u>			
First National Bank and Trust Company, Petersburg, Virginia. (Being liquidated through conservator)		510	510

<u>District No. 7.</u>			
First National Bank, Beason, Illinois. (Insolvent)		36	
Uptown State Bank, Chicago, Illinois. (Decrease in capital)		120	
Citizens National Bank, Brazil, Indiana. (Insolvent)		<u>90</u>	246



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Applications for SURRENDER of Stock (Cont'd.):

Shares

District No. 10.

First National Bank, Clay Center, Kansas.  
(Insolvent)

90

First National Bank, Mankato, Kansas.  
(Decrease in surplus)

24

First National Bank, Oakley, Kansas.  
(Insolvent)

36

150

District No. 12.

City National Bank, Huntington Park, Calif.  
(Insolvent)

99

99

Total

2,265

Approved.

Thereupon the meeting adjourned.

*P. Ester Morris*  
Secretary.

Approved:

*E. R. Hack*  
Governor.